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PROGRESS REPORT ON THE IMPLEMENTATION OF AGREED CONCLUSIONS AND RECOMMENDATIONS

Prepared by the UNCTAD secretariat

Executive summary

This report has been prepared in accordance with decision 446 (Ex-16) of the Trade and Development Board on "Guidelines on the efficiency and functioning of the UNCTAD intergovernmental machinery", adopted on 16 February 1998. It constitutes a progress report on "the implementation of agreed conclusions and recommendations by the secretariat" since the last session of the Commission on Investment, Technology and Related Financial Issues. As a background to this note, the secretariat has prepared a "DITE Activities Report 1998-1999" (UNCTAD/ITE/Misc.16) that provides more detailed information about the actions undertaken by the secretariat in pursuance of the mandates received at the third session of the Commission, as well as the technical assistance activities implemented by the secretariat in the areas of investment, technology and enterprise development since that session. The latter report will be made available upon request.

GE.99-52739 (E)

1. The Commission on Investment, Technology and Related Financial Issues was set up to deal with the issues mandated in paragraphs 89 (a)-(g); 91 (iii); 89 (k)-(m) and 87 (i) of "A partnership for growth and development" (TD/377). The fourth session of the Commission will be the last session before UNCTAD X, and will bring to a close the cycle of Commission sessions following Midrand.

2. At its third session, the Commission requested the secretariat to undertake a number of activities related to foreign direct investment (FDI) and foreign portfolio investment (FPI). In the area of FDI, the Commission requested the secretariat to report on trends in FDI and ways and means of enhancing FDI flows to and among developing countries, in particular LDCs and countries receiving relatively low FDI inflows, with a view to increasing the benefits they entail, and taking into account the factors which play a part in private sector firms' choices of investment locations. The document TD/B/COM.2/21 that is before the Commission has been prepared in response to this request. The Commission also requested that fact sheets on Africa and other developing country regions be prepared and disseminated; and that the materials, documents and summaries of publications prepared by the secretariat be made available on the Internet in a timely and effective manner. In response to these latter requests, the secretariat, in cooperation with the ICC, MIGA and UNDP, prepared a fact sheet based on the findings of the secretariat booklet on *Foreign Direct Investment in Africa: Performance and Potential* (UNCTAD/ITE/IIT/Misc.15). The fact sheet was launched during a press conference chaired by the Secretary-General of the United Nations, Mr. Kofi Annan, and disseminated worldwide, including on the Internet*. In addition, the secretariat has made summaries of all publications available on UNCTAD's Website.

3. The Commission also requested that study continue of the characteristics, similarities, complementarities and differences between FPI and FDI, as well as of the development impact and policy implications arising therefrom. Interest again focused on the Asian crisis and the policy challenges arising from the free flows of portfolio investment. The Commission decided to convene an expert meeting in 1999 to consider the interrelationship between FDI and FPI. This meeting took place in June 1999 and discussed: (a) the definition and statistical recording of FPI and FDI; (b) their contribution to development; (c) determinants and volatility; and (d) policy implications resulting from the differences and similarities between FDI and FPI. The agreed conclusions of the Expert Meeting reflected concerns about the choice of the right policies to maximize the contribution of foreign investment to development. The question of the treatment of FPI in international investment agreements is still an open issue.

4. In addition, the Commission requested an expert meeting on concepts allowing for flexibility in the interest of promoting growth and development, as well as the convening of meetings of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) and of

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* Both fact sheet and booklet are available on the Internet at www.unctad.org, ww.un.org/partners/business, www.iccwbo.org, www.ipanet.net, www.kpmg.de and www.undp.org/tcdc/tcdc.htm.

the Intergovernmental Group of Experts on Competition Law and Policy. The expert meeting on concepts - such as exceptions and other mechanisms - allowing for a certain flexibility, including in the field of technological capacity-building, in the interest of promoting growth and development to allow countries at different stages of development to benefit from international investment agreements took place in Geneva on 24-26 March. It was attended by 74 member countries, with 46 represented by experts from capitals. The meeting looked at different dimensions of flexibility (e.g. clarification of the meaning and nature of the concept of flexibility; balancing flexibility and commitments; assessing the actual needs of flexibility to achieve development objectives; how to ensure that flexibility in IIAs leads to concrete results in development; optimum use of the concept) and also discussed some issues that went beyond the initial scope of the meeting (such as examining flexibility in existing IIAs, how to build it in future IIAs, and the issue of transparency). The meeting requested, in its agreed conclusions, that the background issues paper prepared by the secretariat be revised in light of the discussions and be submitted to the fourth session of the Commission under agenda item 3. The revised paper will be made available in document UNCTAD/ITE/Misc.17.

5. The sixteenth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) was held from 17 to 19 February 1999. It was attended by 58 member countries (121 experts), 7 international organizations and 12 professional associations. The main agenda item was the development of a global accounting curriculum and other qualification requirements for professional accountants. The Group reviewed and adopted the guideline for the qualifications of professional accountants, including the model curriculum, and recommended them to those national authorities who are responsible for ensuring an adequate level of competence of professional accountants. The Group also examined its activities in relation to its mandate and undertook a self-assessment of its functioning. It further reviewed the study on the role of accounting in the East Asian crisis, which examined the actual accounting practices of 90 of the largest banks and corporations in six Asian countries. The study concluded that if reliable accounting information had been available, excessive financial exposure would have been detected earlier, allowing investors and creditors to take corrective measures against the conditions which led to the financial crisis. At its closing plenary session, the Group agreed to transmit the provisional agenda for its seventeenth session to the Commission. The main agenda item to be considered under that provisional agenda is accounting for SMEs, which was originally requested at the fifteenth session of the Intergovernmental Working Group and approved by the third session of the Commission. It was also suggested that environmental performance indicators, corporate governance and corporate social responsibility be included as possible topics for discussion at the seventeenth session of the Group.

6. The Intergovernmental Group of Experts (IGE) on Competition Law and Policy was convened from 7 to 9 June 1999. The meeting discussed: (a) the relationship between competition authorities and relevant regulatory agencies, especially in respect of privatization and demonopolization processes; (b) international merger control, in particular where mergers and acquisitions have effects in developing countries; and (c) the creation of a culture of competition. The IGE also reviewed UNCTAD's technical assistance activities

in developing countries and economies in transition in the course of 1998, and, acting as a preparatory meeting for the fourth review conference, agreed on a provisional agenda for the conference, to be held in September 2000. It also considered a preliminary assessment of the experience gained so far with the implementation of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices. The deliberations and conclusions of the IGE will be reported to the fourth session of the Commission under agenda item 5 and are contained in document TD/B/COM.2/19.

7. The Commission also recommended that the secretariat continue its technical assistance activities geared towards capacity-building in developing countries in policies related to the area of private capital flows. In addition, the Commission requested a continuation of UNCTAD's work programme on a possible multilateral framework on investment, and in particular work on the series of technical papers on issues in international investment agreements. As regards the latter, it should be noted that, by August 1999, eight IIA issues papers had been published and that another four had reached pre-publication stage, with an estimated total of 16 papers published before the end of 1999. It should also be noted that by October 1999, a total of 113 countries will have benefited from this work programme through the regional symposia and "Geneva" seminars organized by the secretariat (see annex). As regards other technical assistance activities, the background note on "DITE's Activities 1998-1999" (UNCTAD/ITE/Misc.16) provides a detailed account of the activities implemented by the secretariat in the areas of investment, technology and enterprise development since the third session of the Commission.

8. Finally, it should be noted that in pursuance of these activities, the Secretariat has cooperated closely with other international organizations, especially WTO, the World Bank Group, ILO, UNIDO and other United Nations specialized agencies. It has also benefited from cooperation with regional and non-governmental organizations such as OECD, ASEAN, SELA and SADC, in the case of the former, and WWF, SOMO, OXFAM, Friedrich Ebert Foundation and Quaker United Nations Office, in the case of the latter. Lastly, it is noteworthy that the Secretariat's work on investment, technology and enterprise development has greatly benefited from cooperation with the private sector.

Annex

Implementation of the work programme on a possible multilateral framework on investment: Participation in regional symposia and Geneva seminars

Regional symposia *(co-organizing institution in italics)*	**Participants**
Fez, Morocco, 19-20 June 1997	Algeria, Angola, Burundi, Cameroon, Egypt, Ethiopia, Gabon, Kenya, Lesotho, Malawi, Mauritania, Morocco, Mauritius, Namibia, Nigeria, South Africa, Swaziland, Tunisia, Uganda, Zambia, Zimbabwe (21)
New Delhi, India, 15-16 July 1998	Azerbaijan, Bangladesh, Democratic People's Republic of Korea, India, Indonesia, Malaysia, Maldives, Mongolia, Nepal, Pakistan, Philippines, Republic of Korea, Singapore, Sri Lanka, Thailand, Viet Nam (16)
Kingston, Jamaica, 27-28 September 1998 *Organization of American States and the University of the West Indies*	Antigua and Barbuda, Bahamas, Barbados, Grenada, Guyana, Jamaica, St. Kitts, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, Venezuela (11)
Lima, Peru, 4-6 November 1998 *General Secretariat of the Andean Community and Organization of American States*	Bolivia, Columbia, Ecuador, Peru, Venezuela (5)
Cairo, Egypt, 17-18 May 1999 *Inter-Arab Investment Guarantee Corporation and League of Arab Nations*	Algeria, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen (20)
Regional symposium for the least developed countries, Geneva, 29 September-1 October 1999*	(Provisional list of participants not yet available.)
Xiamen, China, 9-10 September 1999* *United Nations Development Programme*	Algeria, Argentina, Bangladesh, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ethiopia, Gabon, Ghana, India, Indonesia, Jamaica, Jordan, Malaysia, Mexico, Morocco, Philippines, Republic of Korea, Saudi Arabia, Senegal, South Africa, United Republic of Tanzania, Thailand, Tunisia, Viet Nam, Zimbabwe (28)

"Geneva" seminars *(co-organizing institution in italics)*	**Participants**
Glion-sur-Montreux, 26-27 February 1998 *World Trade Organization*	Australia, Barbados, Brazil, China, Estonia, Ethiopia, European Union, Hong Kong SAZ China, Hungary, Japan, Republic of Korea, Malaysia, Mexico, Morocco, Netherlands, Norway, Panama, Philippines, Russian Federation, Switzerland, Thailand, Turkey, Uganda, United States of America, Venezuela, Zambia (26)
Glion-sur-Montreux, 8-9 June 1998 *World Trade Organization*	Bahrain, Bangladesh, Canada, China, Croatia, Cuba, Dominican Republic, Egypt, El Salvador, Estonia, France, Honduras, Indonesia, Mauritius, Mexico, Pakistan, Panama, Philippines, Singapore, Spain, Suriname, Venezuela, Uganda, Zimbabwe (24)
Evian-les-Bains, 21-22 April 1999 *World Trade Organization and Organisation Internationale de la Francophonie*	Austria, Bangladesh, Benin, Burkina Faso, Cameroon, Cape Verde, China, Côte d'Ivoire, Croatia, Cuba, Egypt, France, Gabon, Guatemala, Guinea, Iran, Jamaica, Kyrgyzstan, Madagascar, Malaysia, Mauritius, Nicaragua, Niger, Republic of Korea, Rwanda, Saudi Arabia, Senegal, Slovakia, Sri Lanka, Thailand, Uzbekistan, Viet Nam (32)

* Provisional.